

Health Benefits Options When Terminating Employment

State and Local Employees Participating in the State Health Benefits Program

ELIGIBILITY AND OPTIONS FOR CONTINUATION OF HEALTH BENEFITS

When you terminate employment due to retirement, resignation, or a reduction in force, or your hours are reduced so that your status becomes part-time and therefore no longer eligible for employer-paid health coverage, you and/or your dependents may be eligible to continue health benefits coverage (see the State Health Benefits Program *Summary Program Description* booklet for a description of eligible dependents).

Three options are available for continuing health benefits coverage depending on your termination status:

- Retired Group coverage
- COBRA
- Conversion to private insurance

CONTINUATION OF COVERAGE INTO RETIREMENT

If you retire from your job and receive a retirement allowance from a State or locally-administered retirement system, you and your spouse or eligible domestic partner* may continue participation in the State Health Benefits Program (SHBP) **for your lifetime**.

To enroll in the SHBP under the retired group, you must complete a *SHBP Retired Status Application*, which will be mailed to you by the Health Benefits Bureau after you file an *Application for Retirement Allowance* with the Division of Pensions and Benefits. State retirees who have 25 or more years

of service credit in the pension plan or who retire on disability may qualify for state-paid SHBP coverage. Local employees with 25 or more years of service credit in the pension plan or who retire on a disability retirement will qualify for employer-paid SHBP coverage if they retire from a school board, county college, or a SHBP participating employer who has agreed to pay for their retirees' benefits. If you do not qualify for state-paid or employer-paid health benefits, the premium charge will be deducted monthly from your pension check. If your pension will not cover the cost of your premiums, you will be billed monthly.

All members, their spouse or eligible domestic partner*, and eligible dependent children enrolled in the retired group who are eligible for federal Medicare at age 65, or earlier if collecting Social Security disability benefits, must enroll in **both** Part A and Part B of Medicare in order to continue SHBP coverage. Proof of enrollment is required. See Fact Sheet #11, *Enrolling in the State Health Benefits Program When You Retire*, for more information.

CONTINUATION OF HEALTH BENEFITS UNDER COBRA

The Federal Consolidated Omnibus Reconciliation Act of 1985 (COBRA) provides for the continuation of group coverage under the State Health Benefits Program for the employee and covered dependents for **18 months** if:

- the covered employee is terminated; or
- the employee's hours are reduced so that the employee and/or dependents no longer

*A domestic partner is defined for eligibility in the SHBP by the New Jersey Domestic Partnership Act, as a person of the same sex with whom you have entered into a domestic partnership and received a *Certificate of Domestic Partnership* from the State of New Jersey (or a valid certification from another jurisdiction that recognizes same-sex domestic partners, civil unions, or similar same-sex relationships). For employees or retirees of a county, municipality, or local board of education, the employer must also have adopted a resolution to provide domestic partner health benefits. The cost of domestic partner coverage may be subject to federal tax (see your employer or Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, for more information).

meet the SHBP's eligibility requirements for coverage (also includes leaves of absence).

Coverage may continue for **36 months** for dependents if:

- the covered employee dies;
- the covered employee and his or her spouse divorce;
- the covered employee and his or her eligible same-sex domestic partner terminate a domestic partnership; or
- a dependent child no longer qualifies as such because of marriage, entering into a domestic partnership, moving out of the household, or attaining age 23.

You and/or your eligible dependents — also known under COBRA as “qualified beneficiaries” — may independently elect to continue any or all of the coverage you had as an active employee or dependent (health, prescription drug, dental, and vision). You and/or your dependents may change your health and/or dental plan when you enroll in COBRA. You may also elect to cover the same dependents you had as an active employee, or you can delete dependents to reduce your level of coverage. However, you cannot increase the level of your coverage, except during the annual Open Enrollment period (see below), unless a qualifying event occurs (birth, adoption, marriage, eligible domestic partnership) and you notify the SHBP's COBRA Administrator within 60 days of the qualifying event.

If a COBRA qualifying event occurs, contact your employer for an application to continue health benefits coverage under COBRA. Your employer is responsible for informing employees and their dependents of their rights to purchase continued health coverage within 14 days of receiving notice that there has been a COBRA qualifying event. An application form with instructions and a rate chart should be sent with the COBRA Notice. The COBRA Notice gives the date coverage will end and the period of time over which coverage may be extended.

Open Enrollment — COBRA subscribers are permitted to change health plans and/or add coverage, through the COBRA Administrator, during the annual Open Enrollment period held each fall. All COBRA

enrollees will receive Open Enrollment information mailed directly to their address on file with the SHBP.

FAILURE TO ELECT COBRA COVERAGE

In considering whether to elect continuation of coverage under COBRA, a “qualified beneficiary” should take into account that a failure to continue group health coverage will affect future rights under federal law.

- First, you can lose the right to avoid having pre-existing condition exclusions applied to you by other group health plans if you have more than a 63-day gap in health coverage. The election of continuation of coverage under COBRA may help you to bridge such a gap. (If, after enrolling in COBRA you obtain new coverage which has a pre-existing condition clause, you may continue your COBRA enrollment at full cost for coverage of the condition excluded by the pre-existing condition clause.)
- Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose pre-existing condition exclusions if you do not continue coverage under COBRA for the maximum time available to you.
- Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days of the date your group coverage ends. You will also have the same special enrollment right at the end of the COBRA coverage period if you get the continuation of coverage under COBRA for the maximum time available to you.

CONVERSION OF COVERAGE AFTER COBRA

When your COBRA coverage period ends, you will be able to convert your COBRA health care coverage to non-group insurance only if:

- you complete your COBRA eligibility; or
- you lose coverage due to enrollment in Medicare.

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Conversion will be with the same insurance carriers with whom you were enrolled under COBRA.

Note: There are no conversion provisions for prescription drug or dental coverage.

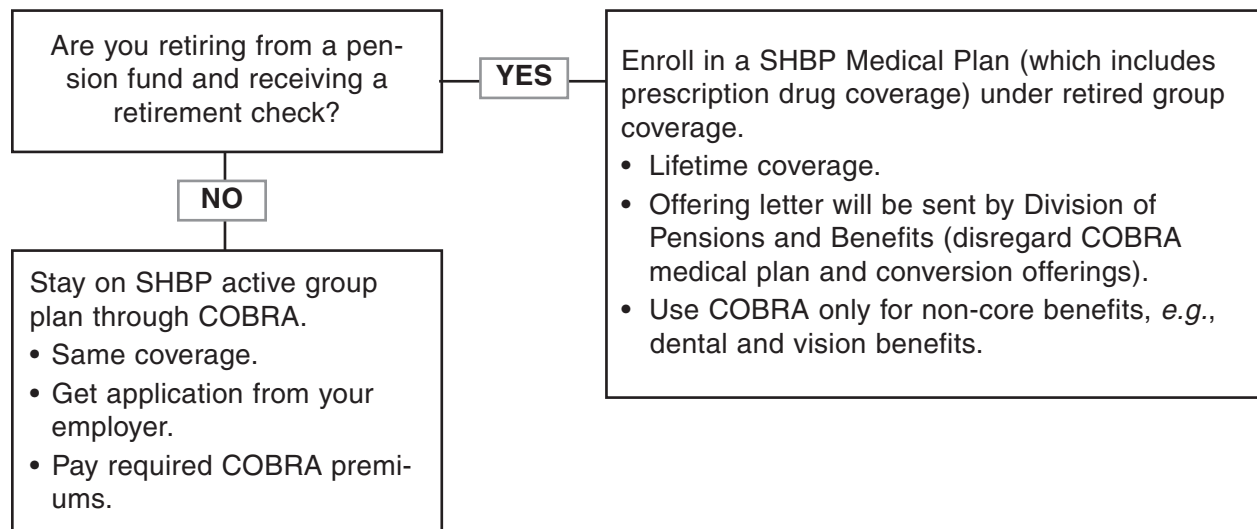
PRIVATE CONVERSION OF HEALTH BENEFITS COVERAGE

If your enrollment in the SHBP ends for any reason other than your voluntary withdrawal or your employer's withdrawal from the SHBP, conversion allows you and your dependents to purchase, without evidence of good health, non-group coverage from the company that insured you before termination of your group coverage. To receive a converted contract, you must contact the insurance carriers directly.

However, you should first exercise your rights under COBRA since continued group coverage is considerably cheaper than individual coverage. After your COBRA term is completed, you may then exercise your conversion rights.

If you decide to convert your coverage and you live in New Jersey and are not Medicare eligible, you should investigate one of the New Jersey Individual Health Benefits Plans. These plans, established under the 1992 Individual Health Insurance Reform Act, offer a wide range of insurance options and are more reasonably priced than converted insurance. You can obtain rate information by calling 1-800-838-0935, and you can obtain coverage information from any insurance carrier in New Jersey.

WHEN YOU LEAVE EMPLOYMENT



Contact the Division of Pensions and Benefits for more information regarding these options.

This fact sheet has been produced and distributed by:

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